

Fiscal Highlights

Corrections Medical Line Item History and Changes - Gary R. Syphus

The more weight you add to an airplane, the more something will need to change to keep it aloft at a fixed altitude. Variables such as thrust, drag, and lift cannot remain constant and keep the plane at a fixed elevation when weight is continually added. Something will need to change. This is the case with the Department of Corrections Medical Services operations.

The Department of Corrections is required by federal law to provide medical, dental, and mental health to those housed in facilities owned, operated, or contracted by the state. Factors contributing to rising costs, such as growing inmate populations, increasing health care costs, and a demographic shift of the prison population to include more costly geriatric inmates make constant changes to medical resources necessary to meet the requirement of providing health care to prisoners.

Inmates receive care from both in-house resources (UDC doctors, nurses, dentists, etc.) as well through contracts through providers, such as the University of Utah Medical Center. For FY 2013, estimated medical costs per inmate equated to about \$4,100. For the approximate 7,100 inmates, the total cost is about \$29 million. For FY 2012, some of the departments largest expenditure categories within this line item were:

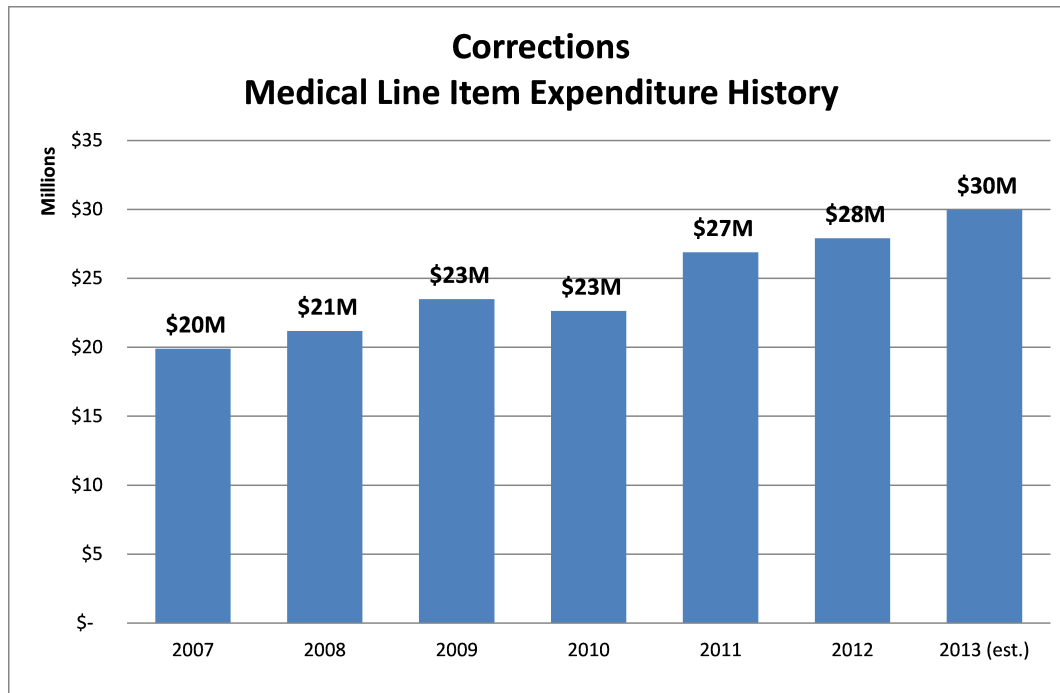
1. Personnel Costs: \$13.8 million (in-house staff),
2. Current Expense: \$5.3 million (of which \$3.5 million were drug purchases), and
3. Other Charges/Pass Through: \$8.3 million (largely contracts with medical providers, i.e. Univ. of Utah Medical Center).

Since FY 2007, total medical costs have risen about 6.6% annually, and the department and the Legislature made changes to address the rising costs. The changes include:

- purchasing equipment that they may have otherwise contracted with a provider to have access to,
- emphasizing more tele-medicine (to the extent possible), and
- within the last month had some inmates qualify for Medicaid reimbursement.

To be eligible, an inmate has to be hospitalized outside of state prison facilities for 24 hours and qualify under other Medicaid eligibility requirements - determined by the Department of Workforce Services.

These changes are in addition to other legislative changes and appropriations to manage rising medical costs. The graph below shows medical expenditure increases over time.



In order to deal with the rising costs, during the 2013 General Session, the Legislature identified \$2 million ongoing in other areas of the departments budget and applied them to the medical line item. The Legislature typically addressed the annual one-time shortfalls of about \$2 million through one-time sources. If the prison population and medical costs follow historical trends, they will both continue to rise. However, in the short-term, the revenues at least match or exceed the expenditures.

Follow-up Report - The Rest of the Story - Jonathan Ball

Ever wonder what happened with that \$15,000 appropriation for Utah Symphony outreach to Taylorsville? Or how much of the nearly \$5 million for Jail Contracting was actually spent last year? The [Fiscal Notes and Budget Items Follow-up Report](#) creates a feed-back loop on these and other past budget initiatives.




As Rep. Mel Brown said in the July 16, 2013 Executive Appropriations Committee meeting, often times legislators never know what ultimately happens with spending items. Nor do they learn how accurate were fiscal notes on their bills. In an attempt to address this, the Legislative Fiscal Analyst (LFA) produces an annual report in which we follow-up on past fiscal notes and budget items.

LFA doesn't have the resources to revisit everything, but this year we looked at 117 items that were enacted from 2009 through 2013. For each item, we gave readers a "stoplight" indication for:




- implementation - was it completed and done so on time?;
- accuracy - was the expenditure or revenue estimate right?; and,
- performance - how can we tell if it was a success, and was it?

As shown below, we use common standards to establish the color of the stoplight (red, yellow, or green).

Implementation

-  Green - Implemented within the first month of the bill's effective date. The definition of implemented will vary according to the difficulty of the bill's task. Tasks that are too large to be implemented in the first month can be considered implemented if the agency has a reasonable plan and they are on schedule.
-  Yellow - Implemented after the first month but before the fourth month of the bill's effective date.
-  Red - Implemented after three months of the bill's effective date.

Accuracy of Familiar Programs / Processes

-  Green - Within 5% of estimate or variances less than \$10,000.
-  Yellow - Greater than 5% but less than or equal to 10% of estimate and more than \$10,000.
-  Red - Greater than 10% of estimate and more than \$10,000.

The first few pages of the report summarize the stoplight status of all 117 items. Then each item is discussed in more detail on following pages - including what were initial estimates and how do those estimates compare to experience. The full report can be found here:

<http://le.utah.gov/interim/2013/pdf/00002717.pdf>

This year many of our "performance" stoplights were yellow. That's because, for many of these items, no performance indicators were reported. While performance indicators are in many cases not required by the Legislature, we believe they are essential to judging the effectiveness of an initiative. We propose to improve the use of performance indicators in future appropriations.

The report not only informs legislators about past budget items, it also helps legislative staff do our job. We use the "lessons learned" in yellow and red cases to make recommendations for future budget changes. We also use those cases to improve our processes so that future estimates will be better.

The Executive Appropriations Committee referred this report to appropriations subcommittees for further consideration, including potential budget changes.

Government Communications Task Force - Gary K. Ricks

Question: What is the Government Communications Task Force? Answer: It is a statutorily created (see [H.B. 388, Government Communications Task Force](#), 2013 General Session) temporary group of 17 members assigned to review and make recommendations on:

- statewide public safety,
- transportation,
- public works, and
- other governmental radio communications systems.

The group is comprised of:

- five members of the Legislature,
- five police chiefs throughout the state,
- five state government agency leaders, and
- two local fire chiefs.

This group has held two meetings to date and is studying:

- current capacity and technologies,
- projected needs and upgrades,
- opportunities to increase operational efficiencies,
- and sustainable funding alternatives.

The task force has received information from legislative staff regarding historical implementation of 911 related statutes and telephone service fees. Telephone service fees include the local 911 fee of \$0.61 per access line, which generated \$21.2 million in FY 2013; the state fee of \$0.08 per access line, which generated \$2.8 million in FY 2013; the Utah Poison Control Center surcharge of \$0.07 per access line, which generated \$2.5 million in FY 2013; and the Telecommunications Relay Service Fund fee of \$0.06 per access line which generated almost \$2.0 million in FY 2012.

The group is beginning deliberations on funding issues and alternatives for the future. the task force created a subcommittee to address these issues during its meeting held on July 11, 2013. The next task force meeting is planned for August 22, 2013 at 9:00 a.m.

Improving Higher Education Completion and Graduation Rates - Spencer C. Pratt

To improve student success in Higher Education, specifically completion or graduation rates, the State Board of Regents is proposing several initiatives.

The first initiative is to adopt a resolution defining 15 credit hours as full-time. Research has shown that the longer a student takes to complete a degree, the less likely they are to complete. Part-time students have a lower graduation rate than full-time students. While many students believe that taking 12 credit hours each semester is a full load, this will result in a four-year degree taking five years to complete. Students who take 15 credit hours will graduate sooner and at a lower total cost.

The second initiative is to encourage "plateau tuition" as an incentive for students to take more credit hours. Institutions will work toward a point where tuition will plateau between 12 to 15 hours. This will provide an incentive for students to maximize their tuition dollars and their time. Institutions will show

students and parents the cost savings that can be achieved by taking more than 15 credit hours per semester.

The third initiative is to create "graduation maps" for each major. A graduation map will help students focus on the courses they need to complete and when those courses should be taken. Complete College America lists graduation maps as one of their best practices in reducing time to finish a degree.

The fourth initiative emphasizes ways to improve completion of math requirements. While many students will have completed general education math requirements upon entry, many have not. Too many students postpone taking these math courses, and research indicates that lapses in time between math courses are detrimental to the student's ability to successfully complete these courses. Strategies to remedy these situations include identifying students needing developmental math, using web-based methods to deliver developmental math, and allowing students to complete two or three math courses in a single semester.

The final initiative is to institute a reverse transfer/stackable credential policy. This involves automatically awarding an associate degree upon completion of requirements to students even though they may be in a four-year program. This gives them at least the one degree for their resume, but also increases the likelihood of them finishing their four-year degree.

The adoption of these initiatives and encouraging their implementation should help improve the graduation rates for students in the Utah System of Higher Education.

Invasive Species Mitigation Allocation Process To Be Tweaked - Ivan D. Djambov

During the 2012 General Session, the Legislature appropriated \$1 million from the General Fund to the Invasive Species Mitigation restricted account administered by the Department of Agriculture and Food. In June 2012, the department distributed the FY 2013 funding as follows: 90% for 31 invasive species mitigation projects and 10% for administration. However, the department's Project Ranking Criteria did not include all the criteria identified in UCA 4-2-8.7(4) when the grants were awarded.

Evaluation Process

At the request of the department, the 2013 Legislature made changes to UCA 4-2-8.7. The evaluation criteria for the next round of grants was sent to potential applicants before the end of the 2013 General Session, therefore they did not reflect these changes. The Damage Reduction category of the department's ranking criteria (worth 10 points of the total 100) contains items that were eliminated from the statute during the session. The criteria states: The project will have a positive impact to reduce damage to at least one of the following: air pollution, flooding, reduced visibility on a highway, increasing encroachment of an invasive species, soil erosion, degraded water quality, release of carbon, a local economy, habitat for wildlife or livestock. Air pollution, reduced visibility on a highway, degraded water quality, release of carbon, and a local economy were eliminated from the statute.

The statute currently reads:

(4) In giving a grant, the department shall consider the effectiveness of a project in preventing at least one of the following:

-
- (a) encroachment of an invasive species;
 - (b) soil erosion;
 - (c) flooding;
 - (d) the risk of catastrophic wildfire; or
 - (e) damage to habitat for wildlife or livestock.

The department administration will revise the criteria to reflect the language in the statute before the grant information is sent to potential applicants in 2014.

Funding Distribution

The 2012 Legislature appropriated \$1 million ongoing from the General Fund to the Invasive Species Mitigation restricted account to be used in FY 2013. The grants' funding for FY 2013 was distributed as follows: 73% for 13 large watershed projects and 17% for 18 smaller-scale projects. Almost all the funded projects were proposed by county weed departments or CWMAs (Cooperative Weed Management Area).

The 2013 Legislature added another \$1 million ongoing from the General Fund to this account, and starting in FY 2014, the total funding for invasive species mitigation is \$2 million. In June 2013, the department allocated \$1.3 million to fund 31 projects for FY 2014. The figure below provides the list of all the funded projects for both FY 2013 and FY 2014.

The remaining \$700,000 for FY 2014 was set aside for the following purposes: \$200,000 for administration and monitoring expenses, and \$500,000 for catastrophic fire mitigation projects (which have not yet been identified).

New Nursing Home Options for Utah Veterans - Brian D. Fay

Over the past two months, the Department of Veterans Affairs has dedicated new nursing homes in Payson and Ivins. Each of these new nursing homes provides 108 private rooms for veterans and their spouses. These nursing homes join the William E. Christofferson Veterans Nursing Home in Salt Lake City (82 beds) and the George E. Wahlen Ogden Veterans Home (120 beds). The increased capacity and expanded geographical coverage of these new homes provides more options and increased access to aging and disabled veterans throughout the state.

In addition to the benefits provided to Utah veterans, the construction and operations of the facilities continue to bring federal funds into Utah's economy. Over the past three years, the veterans nursing homes have brought more than \$43 million to Utah through construction and operations reimbursement from the federal government. At full capacity, over \$14 million in federal funds will flow into the state each year to assist Utah veterans with nursing home per diem expenses.

RS2477 Roads Litigation - Zackery N. King

What is the state's budget for public lands litigation, and more specifically, for RS2477 Roads cases? A large array of stakeholders and funding mechanisms currently in place create a difficult environment for tracking appropriations to, and expenditures for, RS2477 Roads litigation. Appropriations are made through two subcommittees, three agencies, and through five different line items. Three restricted accounts are used to appropriate and expend funds as well. A major portion of these appropriations trickle down to the Public Lands Policy Coordination Office (PLPCO) and pay the salaries and benefits of attorneys working on RS2477 Roads cases, and cases involving other issues. The table below lists each of these entities.

Appropriations Subcommittee	Agency	Line Item [Line Item Name (Agency or Program)]	Restricted Fund
1) Natural Resources, Agriculture, and Environmental Quality	1) PLPCO	1) Constitutional Defense Council (Governor's Office)	1) CDRA
2) Executive Offices and Criminal Justice	2) Governor's Office	2) Governor's Office (Federal Law Evaluation and Response Program)	2) Sovereign Lands Management Account
	3) Attorney General's Office	3) Public Lands Litigation (Governor's Office)	3) Land Exchange Distribution Account
		4) Attorney General (Attorney General's Office)	
		5) Public Lands Policy Coordination Office (Public Lands Office)	

Coupled with the table above, the appropriations tables below highlight the complexity of the funding mechanisms currently in place for the RS2477 Roads litigation. The tables below show the FY 2013 and FY 2014 budgets for the five state entities involved in the roads litigation. However, not all the funding in the tables is for the RS2477 litigation.

FY 2013 Revised Appropriation						
	Attorney General	Const. Defense Council	Governor's Office	Public Lands Litigation	PLPCO	Grand Total
General Fund					328,500	328,500
General Fund, One-time					500,000	500,000
GFR - Constitutional Defense	359,200	1,758,600	250,000	1,000,000	1,383,100	4,750,900
GFR - Sovereign Lands Mgt					1,000,000	1,000,000
Beginning Nonlapsing			123,600	1,045,300	322,000	1,490,900
Closing Nonlapsing					(322,000)	(322,000)
Lapsing Balance						
Grand Total	359,200	1,758,600	373,600	2,045,300	3,211,600	7,748,300

FY 2014 Appropriated						
	Attorney General	Const. Defense Council	Governor's Office	Public Lands Litigation	PLPCO	Grand Total
General Fund					835,600	835,600
General Fund, One-time					25,000	25,000
GFR - Constitutional Defense	359,200		250,000	1,012,600	1,412,500	3,034,300
GFR - Sovereign Lands Mgt						
Beginning Nonlapsing					322,000	322,000
Closing Nonlapsing						
Lapsing Balance						
Grand Total	359,200		250,000	1,012,600	2,595,100	4,216,900

It is currently difficult to determine the actual costs of RS2477 Roads litigation. One of the reasons is that the attorney time spent on these cases is not being tracked. Consequently, a general number can be derived from the overall costs of employing the attorneys and other staff working at PLPCO, but a specific number for RS2477 Roads litigation is currently unavailable.

The Constitutional Defense Council (CDC), created in [UCA 63C-4a-202](#), is another entity that has an impact on RS2477 Roads litigation. The CDC has authority to direct money from the Constitutional Defense Restricted Account (CDRA), and it has multiple oversight functions outlined in statute (UCA 63C-4a-203) that impact the usage of funds.

Counties also impact state expenditures on public lands litigation issues and are an important factor in determining their costs. A decision was made by the CDC to reimburse counties - from state funds - for some of their RS2477 Roads litigation costs.

Statutorily, counties are provided six seats on the CDC - four with voting rights - and county representatives are appointed by the Utah Association of Counties (UAC). An RS2477 Plan is required in UCA 63C-4a-102 and its development is to be a partnership between the state and the UAC. A May 20, 2013 article in the Salt Lake Tribune, titled [State to Shoulder Utah Counties' RS2477 Court Costs](#), highlighted the fiscal impact to counties and to the state in this arena.

Sequestration in FY 2014 - Steven M. Allred

Sequestration in FY 2014 will be different than FY 2013. The Budgetary Control Act (BCA) of 2011 established sequestration as a fallback provision in case the Joint Select Committee (JSC) on Deficit Reduction failed to produce a plan. The JSC process failed, and sequestration took effect. Under current law, cuts of \$984 billion are required over FY 2013 through 2021, or about \$109 billion per year. In FY 2013, sequestration was implemented through automatic, across-the-board cuts split evenly between defense and non-defense, but was postponed until March 1, 2013 by the American Taxpayer Relief Act (ATRA) and reduced by \$24 billion (to a new total of \$85 billion).

Under the BCA, sequestration is just one of two tiers for deficit reduction. The first tier is a set of spending caps that limit discretionary spending. The second tier is the JSC/sequestration process that has received most of the attention. For FY 2014 through FY 2021, sequestration in programs the federal government terms "discretionary" will occur through downward adjustments on spending caps. This means that in FY 2014, funding levels for specific programs (including funding reductions) will be determined through the regular appropriations process. Programs considered "mandatory" (mostly Medicare), will still have automatic across-the-board cuts each year.

The following table shows the spending caps and the levels to which they are reduced under future sequestration. Note that the spending caps increase each year. As shown in the yellow highlighted row, the BCA will only result in a spending cut in FY 2014, and for each year thereafter non-defense discretionary spending will increase, perhaps just not as much as it otherwise would have.

Budget Control Act of 2011 (\$ in billions)									
	FY13*	FY14*	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Non-defense Spending Cap	499.0	506.0	520.0	530.0	541.0	553.0	566.0	578.0	590.0
Sequestration: Discretionary	(25.8)	(37.0)	(36.7)	(36.5)	(36.0)	(35.4)	(34.5)	(33.0)	(32.2)
Subtotal	473.2	469.0	483.3	493.5	505.0	517.6	531.5	545.0	557.8
Sequestration: Mandatory	(16.8)	(17.6)	(18.0)	(18.2)	(18.6)	(19.3)	(20.2)	(21.7)	(22.4)
Defense Spending Cap	544.0	552.0	566.0	577.0	590.0	603.0	616.0	630.0	644.0
Sequestration: Defense	(42.7)	(54.6)	(54.6)	(54.6)	(54.7)	(54.7)	(54.7)	(54.7)	(54.7)
Total Spending Cap	1,043.0	1,058.0	1,086.0	1,107.0	1,131.0	1,156.0	1,182.0	1,208.0	1,234.0
Total Sequestration	(85.3)	(109.2)	(109.3)	(109.3)	(109.3)	(109.4)	(109.4)	(109.4)	(109.3)

* FY13 and FY14 as amended by American Taxpayer Relief Act (ATRA) of 2012.

Since Congress will implement spending reductions as part of the appropriations process, we can't predict what programs will be reduced. And to make it even less predictable, both the Senate and House FY 2014 budgets violate the BCA's provisions. Both the Senate and the President's budget assume sequestration will be replaced. The House budget keeps sequestration but violates the spending caps in order to provide more funding to defense. The most likely scenario at this point is that no appropriations bills will pass and Congress will need to pass a continuing resolution (CR) by October 1. Congress could still amend the BCA, but if no amendment is made, the federal Office of

Management and Budget will be required to implement sequestration to whatever level of funding is provided in the CR.

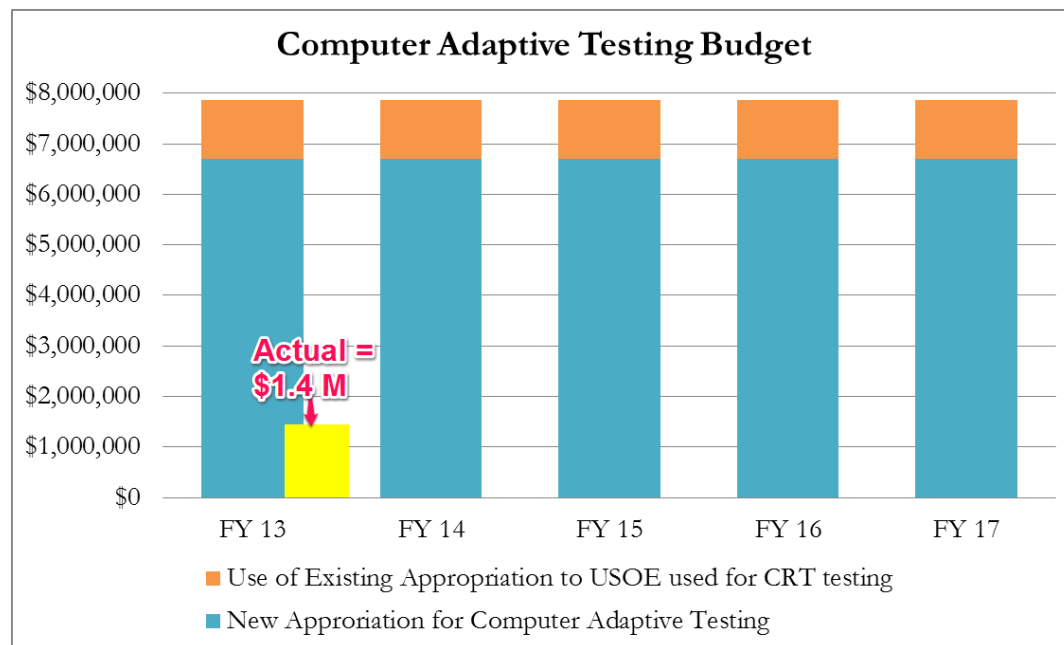
Slow Start to Computer Adaptive Testing - Thomas E. Young

How is spending on computer adaptive testing coming along? During the 2012 General Session, House Bill 15 appropriated \$6.7 million ongoing to cover the anticipated costs of implementing computer adaptive testing over a five year period. Since passage, the procurement process has been completed (January 2013) and the first year of the five year contract is scheduled to be completed in August 2013. The total contract amount is \$39.3 million, which represents the \$6.7 million ongoing appropriation over five years ($\$6.7 \times 5 = \33.5 million) plus \$5.8 million from existing Utah State Office of Education Assessment section budget.

Anticipated expenditures associated with computer adaptive testing include:

- helpdesk support,
- test administration manuals,
- scoring,
- adaptive test engines,
- reporting systems, and
- hosting.

In terms of burn rate (spending), actual expenditures are about \$6.5 million lower compared to appropriated, indicating that costs associated with the program are more back-loaded rather than evenly distributed. The back-loaded nature of the project is in contrast to the even flow notion assumed with a constant ongoing appropriation.



Social Services Appropriations Subcommittee Meets - Russell T. Frandsen

The Social Services Appropriations Subcommittee held a July 9, 2013 meeting in Tremonton, Utah, and discussed the following:

- **Open public input** - The subcommittee heard from a parent and an advocate regarding some of the state-funded programs for mental health.
- Received **responses to unanswered subcommittee questions** during the 2013 General Session - from the Utah State Office of Rehabilitation (USOR) - [USOR 2013 Chairs Response Letter](#), [USOR Backup Material for Questions, Performance, Overlap](#), including an explanation as to how Disability Determination Services benefit Utah citizens.
- Received **proposed performance measures for new state funding appropriated during the 2013 General Session** in compliance with intent language (H.B. 3, Items 69, 79, 84, and 89 & S.B. 2, Items 72, 83, 88, and 94). These proposed measures can be found as follows: 1) Department of Health - [DOH Performance Measure Forms 06-18-2013](#), 2) the Department of Workforce Services - [DWS Performance Measures for New Funding](#), 3) the Department of Human Services - [DHS Performance Measures for new funding](#), and 4) the Utah State Office of Rehabilitation - [USOR Backup Material for Questions, Performance, Overlap](#).
- **Bear River Health Tremonton Facility Handout** - The subcommittee heard about the four entities that share the building where the meeting was held: Bear River Health Department, Bear River Mental Health Services, Utah Department of Health, and a Community Health Center.
- Received a report regarding **federal sequestration** ([Sequester Impact Report](#)) compiled from the four social services agencies. This report shows the \$6 million known effect of federal sequestration on various grants along with a brief description of the services provided with these grants.
- Received a report regarding fees charged ([Fee Summary](#)) compiled from the departments of Health, Human Services, and Workforce Services. The report shows fee categories, average annual revenue, average annual direct costs, average annual indirect costs, profit and or loss, along with explanations. There are three programs running a profit:
 - environmental lab certification;
 - hospital & ambulatory surgical center licensing;
 - background checks for health care workers.
- Received a verbal report on the **General Assistance Program** and discussed, based upon a staff-prepared issue brief ([General Assistance - Issue Brief](#).) This issue brief provides background for the Utah General Assistance program, comparison to other state General Relief programs, and possible actions the Legislature might take regarding the program.
- - a chart showing the growth in Medicaid funding from 1998 through 2014 estimated by General Fund (with federal stimulus adjustments for certain years). The chart also shows Medicaid General Fund as a percentage of all General Fund growing from 13% in 1998 to an estimated 23% in 2014.
- - "This issue brief provides a snapshot of how many Medicaid providers (physicians, dentists, and pharmacies) participated in the Medicaid fee-for-service program from FY 2008 through FY 2012 and how many clients they served. In general the data indicates that participation for physicians in the fee-for-service Medicaid program is decreasing, while dentist participation is increasing, and pharmacy participation has remained

relatively constant. The fee-for-service program for physician services served about 60% of all Medicaid clients from FY 2008 through FY 2012. The fee-for-service program for dental and pharmacy services serves 100% of Medicaid clients. Participation in the Medicaid program by providers is optional and qualifying providers can start or stop serving clients at will."

- **Medicaid Waivers Summary** - a chart identifying all waiver types, waiver names, bureau where the waiver is managed, bureau director over each waiver, date originally implemented, date of most recent re-authorization, next date for renewal, and a summary description of each Medicaid waiver.
- **June 2013 MMIS Letter** - The Department of Health reported on the progress of replacing the Medicaid Management Information System. The department also explained why the state cost has increased by \$3.5 million. The increased cost is due to a lower-than-anticipated federal participation rate, but not a change in the total cost estimate.

Stephen Jardine also contributed to this article.

The Economic Impact of Historic Preservation - Andrea Wilko

Rehabilitating historic buildings creates jobs, enhances household income, and increases property values. A study conducted by PlaceEconomics demonstrated that since the inception of the tax credit programs, nearly \$200 million has been paid in salaries and wages as a result of historic preservation projects. Additionally, 4,969 jobs were created from these historic preservation projects. Data also shows an increase in property tax revenue from historic projects of approximately \$4.4 million over this same time. For each \$1 million invested in historic preservation the following are expected:

\$1 million invested in a historic building in Utah means:

Direct Jobs	10.2
Indirect Jobs	7.5
Direct Salary and Wages	\$536,894
Indirect Salary and Wages	\$310,660
Economic Activity Elsewhere in the Economy	\$998,772
Indirect Business Tax	\$12,127
State Sales Tax	\$22,090

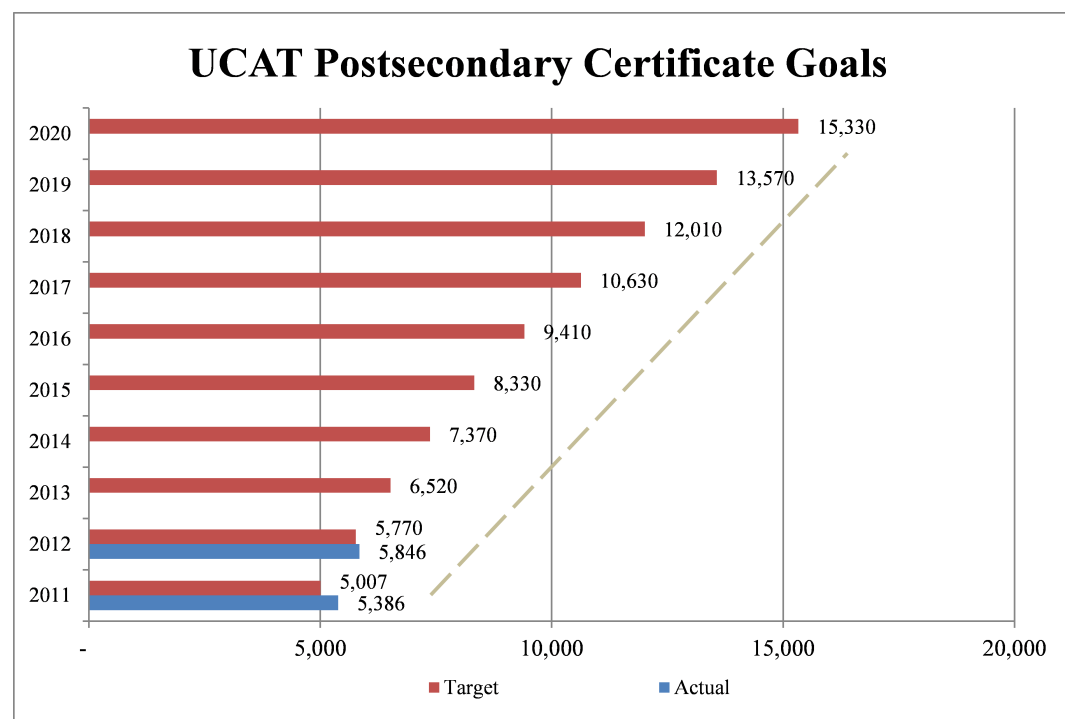
In evaluating the data for historic preservation, there has been agreement that economic data, such as property values and job creation, is important to measure. However, there is wide-spread and growing consensus that also important are the "economics once removed" data, particularly on the environmental side. At this point, no solid data is available for measurement.

UCAT Campus Capacity - Angela J. Oh

"Sixty-six percent of adult Utahns will have a post secondary degree or professional certificate by 2020," as stated in the Governor's Call to Action. During the 2013 General Session, the Legislature appropriated \$5 million the Utah College of Applied Technology (UCAT) to expand capacity at each of its eight campuses throughout the state. Each campus was appropriated a specific amount based on

factors such as membership hours, student headcount, and campus size. For example, Tooele ATC recently moved into a new building and therefore received a larger portion of the \$5 million due to anticipated increases in student headcount and/or membership hours. The goal of this appropriation is to meet the needs of industry in Utah and to produce additional professional certificates for Utah citizens.

As the \$5 million appropriation occurred within the past month (beginning in FY 2014), UCAT does not have any performance measures in place. It is the goal of each campus to provide thorough and meaningful performance measures at the end of the fiscal year. Upon completion of FY 2014, a follow-up report will be presented, which will detail the progress each campus made to increase membership hours and student headcount.



Voted & Board Local Levy: Additional \$20 Million Distributed to Certain School Districts - Ben Leishman

A new statute allows for the distribution of prior-year nonlapsing balances in the Voted & Board Local Levy programs to qualifying school districts. House Bill 49, 2013 General Session, directs the State Board of Education to "use a voted and board local levy balance in the prior fiscal year to increase the value of the state guarantee per weighted pupil unit in the current fiscal year."¹ The Utah State Office of Education estimates that the nonlapsing balance available in the programs at the close of FY 2013 will be a total of \$20.9 million; with \$11.0 million coming from the Voted Local Levy program and \$9.9 million coming from the Board Local Levy. House Bill 49 allows the State Board of Education to distribute this funding to qualifying school districts during FY 2014.

The FY 2013 appropriation for the Voted and Board Local Levy Programs totaled \$380.5 million, with \$94.6 million coming from state Income Tax revenues and \$285.9 million coming from local property tax revenues. Given the amount of nonlapsing balances remaining at the end of the fiscal year, the state fund appropriation was approximately \$20.9 million too high.

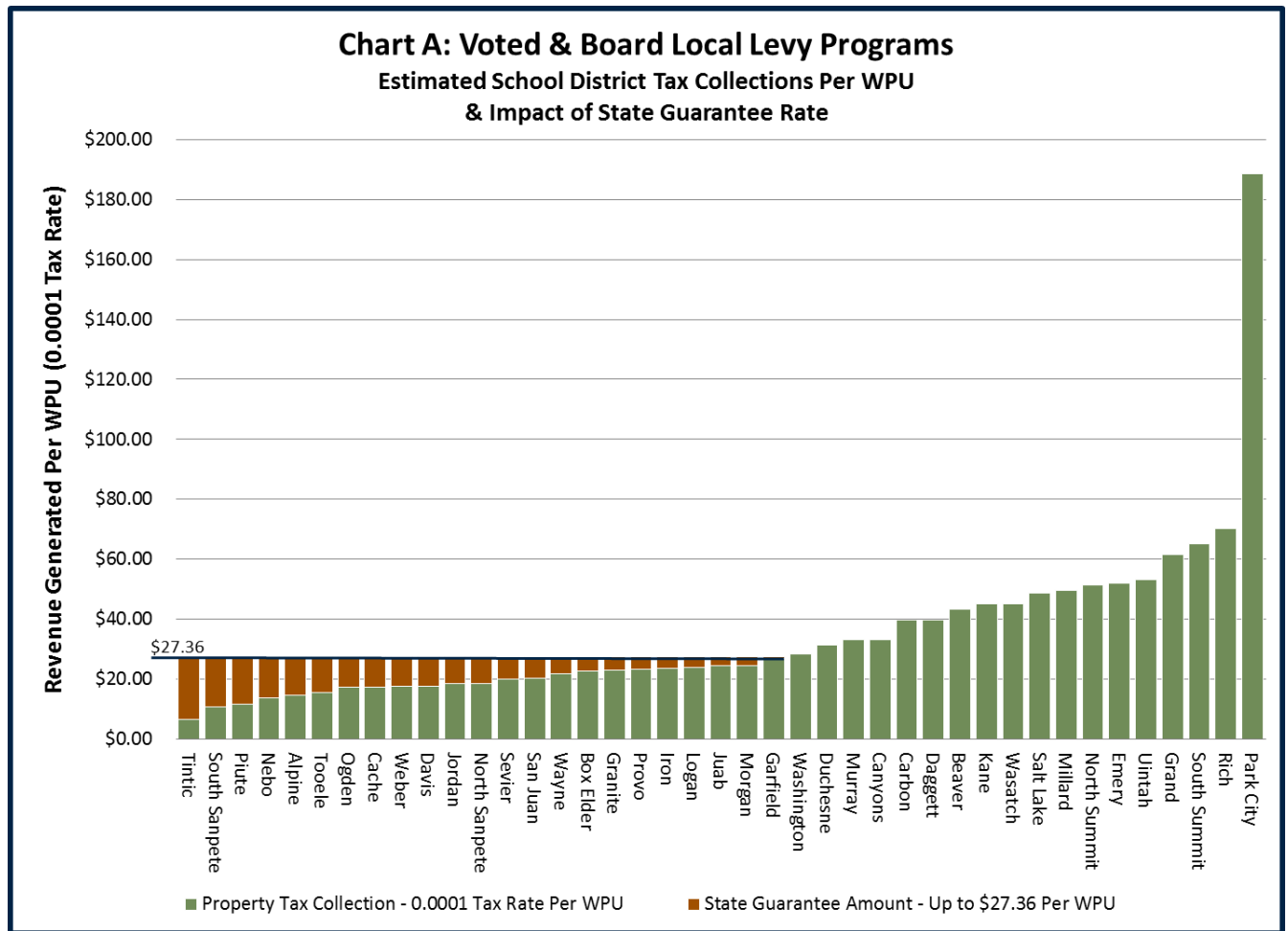
Statute defines a funding balance in the programs as the difference between "the amount appropriated for the voted and board local levy program in a fiscal year; and the amount necessary to provide the state guarantee per weighted pupil unit (WPU) . . . in the same fiscal year."² The appropriation made by the Legislature each year is based on a number of estimates. How well these estimates tie to actual experience through a fiscal year determines the amount of balance (positive or negative) in the program at the end of the fiscal year.

The Voted & Board Local Levy Programs are state-supported property tax guarantee programs. A school district opts into the programs by levying either the Voted Local Levy (approved by the voters), Board Local Levy (approved by the local board), or both. The state then guarantees that the district will receive a minimum amount of revenue per WPU based on statutory provisions ([53A-17a-133](#)). This "state guarantee" is set by the Legislature and determines the amount of state funding required to fund the programs. State funding supplements school districts with lower per-student property tax collections due to having relatively low property values when compared to other districts and not due to a lower taxing effort. Only school districts that don't meet the minimum revenue per WPU established by the Legislature receive an allocation of state funding.

During the 2013 General Session, the Legislature set the state guarantee rate at \$27.36 for both programs. This guarantee rate is applied to each 0.0001 property tax increment levied by a school district up to a maximum of 0.002 for both programs (0.0016 for the Voted and 0.0004 for the Board). In short, the state guarantees that a school district will generate at least \$27.36 per WPU for each tax increment of 0.0001 up to a maximum of 0.002. This is a total of 20 possible increments.

The state only provides the difference between the amount of property tax generated per WPU by a school district and the state guarantee rate. For example, if a school district generates \$22.50 per WPU in property taxes, the state will provide \$4.86 to bring the district up to the guarantee. As a result, the amount of state funding a school district receives per WPU will vary depending on the property tax revenue generated by the district.

State funding acts in a manner that provides greater equity in the ability of school districts to generate additional revenue through property taxes. For the same tax rate of 0.0001, Park City School District can generate \$188.57 per WPU where Tintic School District can only generate \$6.35 per WPU. The state guarantee brings all districts below the guarantee rate up to a minimum amount of funding. The following chart shows how the state guarantee rate equalizes the amount of revenue available per WPU. The state guarantee rate provides equitable funding for approximately 75% of all school district WPU's.



The state fund appropriation is based on two estimates: the total number of qualifying WPUs and the taxable value of property within the school districts. This last factor is used to determine the amount of property tax revenue the school district will generate with its given tax rate. During the fall, representatives of the Legislative Fiscal Analyst, Governor's Office of Management and Budget, and the Utah State Office of Education determine consensus estimates on both of these factors. How these consensus estimates compare to the actual experience in the school districts will determine the amount of nonlapsing balances available at the end of a fiscal year. The following bullets illustrate this effect:

- **Weighted Pupil Units** - The state guarantee applies to each WPU in each qualifying school district. The WPU estimate tries to predict the total number of qualifying WPUs statewide in the coming fiscal year. A high estimate may result in an appropriation that is too high, and as a result, a nonlapsing balance. A low estimate may result in an appropriation that is too low. In this case, the State Board of Education has two options: transfer excess funds from other WPU funded programs or reduce the amount of the state guarantee.
- **Property Tax Collections** - In order to qualify, a school district must generate less than the state guarantee rate per WPU. Estimating the taxable value of property in each

school district provides the total number of districts that may qualify and the estimated amount of state funding per WPU. If school districts generate more revenue than estimated, the state appropriation may be too high, resulting in a nonlapsing balance. If the qualifying school districts generate less revenue than estimated, the cost to the state increases and the appropriation may be too low. The remedy for this situation is the same as described above.

Based on information from the Utah State Office of Education (USOE), the primary source of the \$20.9 million nonlapsing balance in FY 2013 is an under-estimation of local property tax collections. The estimates, and as a result the state appropriation, deal with 41 different school districts/ taxing entities, the value of property in each of these jurisdictions, and the enrollment specifics of 600,000 students. As a result, the actual outcome of these estimates and the corresponding state appropriation are often wrong. In September, we hope to provide more information to the Legislature on the error rate in these estimates and try to explain other factors that might be driving the level of nonlapsing balances remaining at the end of a fiscal year.

On June 12, 2013, the USOE notified school districts on the \$20.9 million nonlapsing balance and the estimated distribution of this funding. Implementing statute, the USOE estimates that the state guarantee rate will increase from \$27.36 to \$29.51 in FY 2014. Because the nonlapsing balance is one-time funding, the state guarantee rate will go back to the \$27.36 in FY 2015 unless the Legislature changes the rate in the 2014 General Session. The USOE also cautioned school districts to consider the increase in funding as "a one-time increase" and not to "count of these additional funds continuing in the future."³ The core of the FY 2014 allocation to school districts is still based on estimates created in fall 2012. As a result, individual school district amounts may change by the end of the fiscal year in June 2014.

The following chart details the estimated distribution of state guarantee funding to qualifying school districts. Column "B" shows the distribution of the FY 2014 appropriation for the \$27.36 guarantee rate. Column "C" shows the distribution of the FY 2014 appropriation plus the \$20.9 million nonlapsing balance. Finally, Column "D" shows only the increased amount due to the nonlapsing balance.

Chart B: Voted & Board Local Levy Programs Distribution of FY 2014 State Fund Appropriation & FY 2013 Nonlapsing Balances			
A	B	C	D
District	Distribution of State Funding		Difference
	FY 2014 Original Appropriation	FY 2014 Estimate with Nonlapsing	
Guarantee Rate	\$27.36	\$29.51	
Alpine	\$25,167,231	\$29,099,182	\$3,931,951
Beaver	70,130	0	(70,130)
Box Elder	857,979	1,176,461	318,482
Cache	4,304,272	5,204,868	900,596
Carbon	0	0	0
Daggett	0	0	0
Davis	16,852,431	20,592,437	3,740,006
Duchesne	0	0	0
Emery	0	0	0
Garfield	11,951	32,284	20,333
Grand	0	0	0
Granite	10,030,617	13,694,749	3,664,132
Iron	513,775	813,861	300,086
Jordan	12,454,905	15,323,265	2,868,360
Juab	69,642	123,268	53,626
Kane	0	0	0
Millard	0	0	0
Morgan	35,894	65,088	29,194
Nebo	9,528,580	11,017,037	1,488,457
North Sanpete	654,550	799,478	144,928
North Summit	0	0	0
Park City	0	0	0
Piute	104,285	118,060	13,775
Rich	0	0	0
San Juan	790,683	1,022,239	231,556
Sevier	531,368	680,781	149,413
South Sanpete	1,538,971	1,741,631	202,660
South Summit	0	0	0
Tintic	339,836	374,296	34,460
Tooele	2,281,335	2,692,816	411,481
Uintah	0	0	0
Wasatch	0	0	0
Washington	0	746,756	746,756
Wayne	27,158	37,873	10,715
Weber	7,085,678	8,431,271	1,345,593
Salt Lake	0	0	0
Ogden	2,845,508	3,429,288	583,780
Provo	1,929,912	2,662,532	732,620
Logan	332,630	537,358	204,728
Murray	0	0	0
Canyons	0	0	0
Total	\$98,359,321	\$120,416,879	\$22,057,558

Source: Utah State Office of Education, July 2013.

Notes: